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668 (approximately 10 miles) of the local head-
666 quarters and a population between 500 and 10,000. Ch'ü and county administrations were dealt with in similar fashion. The former was to have not more than 10 hsiang under its jurisdiction and the latter, not more than 10 ch'ü. Finally, electoral delegates were alloted on the basis of hsiang population.

668 After the promulgation of the Constitution, Communist political power was further strengthened. The hsiang People's congress now holds the highest formal authority in the locality, but the true power remains with the hsiang People's council. Resistance remains strong in the rural areas, however, and in 1955, two strong countermeasures were passed by
• 474 the Party.[60] Further expansion of agricultural
668 producers' co-operatives was temporarily checked, and the first Rural Basic-Level Organization Conference was held in April 1955 for the purpose of strengthening Party

60." Wei-shen-ma Pi-hsü Chung-shih Nung-yeh Sheng-ch'an Ho-tso-she Ti Kung-ku Kung-tso?" ["Why Should Productive Co-operatives Be Strengthened?"], New China Monthly, March 1955, pp. 133-134.

474 leadership over the agricultural producers'
668 co-operative organization before gradual collectivization began.

The following resolutions were adopted at the Conference:[61] (1) Party organization shall be based on territorial and production units, with emphasis on the development of more Party branches in the agricultural producers' co-operatives. (2) Collective work rather than individual achievement is to be stressed. (3) There is to be further expansion of Party indoctrination programs. (4) The county Party secretary's leadership and the Party's political role in the producers' co-operatives is to be strengthened.

The chief problems which the agricultural program of the Party faces are the need for cadre education, the lack of Party strength, and the peasant's sense of individuality and love of his own land.

369 D. Political Control in the City
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The establishment and consolidation of

61. Summary report on the conference in New China Monthly, No. 4, April 1955, pp. 27-28.

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000 Southwest China region.[8]

IV. "COLLECTIVIZATION"

474 "Co-operativization" was the first step of the movement toward "collectivization" in China. In December 15, 1951, the Communist Party of China determined to organize agricultural producers' co-operatives throughout the rural areas. The formal promulgation of the order was not issued until December 16, 1953, by which time approximately 14,000 producers' co-operatives had been organized by Communist cadres.[9] Mutual-aid teams flourished. In the spring of 1954, there were 100,000 producers' co-operatives; in the summer of 1955, there were an estimated 650,000 producers' co-operatives throughout Mainland China.[10]

The campaign for the introduction of producers' co-operatives was intensified following Mao Tse-tung's report to a conference of secretaries of provincial, city, and area

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8. Tsu-kuo Chou-k'an [China Weekly], Hong Kong, March 9, 1953, p. 12.

9. China Daily News, New York, Oct. 27, 1955.

10. New China News Agency Bulletin, London, Oct. 19, 1955, p. 3.

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474 Party committees on July 31, 1955, calling for the acceleration of the "co-operativization" movement in all regions. At the 6th Plenary Session[11] of the 7th Central Committee of the Communist Party, it was resolved that 1,300,000 producers' co-operatives would be organized before the "spring plowing" in 1956. As the result of the vigorous efforts of the cadres, some 1,240,000 co-operatives had been organized by November 1955. Of this number, a phenomenal number (590,000 co-operatives) were organized between August and November of that year.[12] The exact number of co-operatives in the Southwest China region has not been reported. However, if we estimate the possible number on the basis of the ratio between the region's rural population and the rural population in the country as a whole, at least 165,000 producers' co-operatives must have been organized in Southwest China before the end of 1955.

475 No current statistics are avilable on the total number of state-owned and state-operated farms in Southwest China. However,

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11. Ibid.
12. China Daily News, Nov. 24, 1955.

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312 steadily increased throughout the provinces of the Southwest Region.

VII. CONCLUSION

241 433 The Communist regime has given special attention to the intensive development of the agricultural resources of the Southwest Region. In Southwest China, the province of Szechwan plays the most important role in the production of grains and commercial crops. Since 1953, even the provinces of Yunnan and Kweichow, where the supply of foodstuffs has been generally inadequate, are asserted to have become more or less self-sufficient. Surplus grain from Szechwan is available in cases of emergency elsewhere in China, and the province is relied upon to make up the grain deficits of other regions. Southwest China also produces in abundance a number of commodities suitable for export, including tung oil, tea, silk, canned meats, wine, and fruit.

474 The movement to extend the authority of agricultural producers' co-operatives throughout the rural districts of Mainland China has accelerated since the promulgation of the "Resolution on Co-operativization" in November 1955. Since the principle of "mutual-aid" is counter to traditional Chinese practice, it will doubtlessly meet strong resistance among the peasants as soon as the cadres relax their

474 rigorous campaigns. The extraordinary development of nearly 600,000 producers' co-operatives in a single three-month period in 1955 may suggest the degree of coercion necessary to establish this record. Surely the burden imposed upon the rural masses demands an adjustment few of the peasants will be able to make. And it seems likely that many of these co-operatives may be little more than "paper claims" or so poorly organized that they will soon be considered a hindrance to the present regime.

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453 The Hong Kong branches of the Young
652 Brothers Banking Corporation and of the Ho Chen Bank are still allowed to operate. Other Hong Kong branches of the component banks which likewise continue to function are: Kincheng Banking Corporation, Yieh Yieh Commercial Bank, China and South Sea Bank, Sin Hwa Savings Bank, the China State Bank, the National Commercial Bank, and the National Industrial Bank. The desire of the Communists to maintain as many interests in Hong Kong as possible accounts for the continued operation of these branches, in spite of their handling only small deposits and remittances.

G. Credit Co-operatives

452 Credit co-operatives in rural areas have
474 experienced tremendous growth since 1954. The number throughout the country increased from about 13,000 at the end of 1953 to 153,400 in June 1955.[7] According to Communist statistics, credit co-operatives exist in about 80 per cent of the more than 2,000 counties in the country and have a membership of nearly 100,000,000.

7. Ta-kung Pao, Tientsin, Oct. 6, 1955.

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452 In October 1955, there were 6,100
474 credit co-operatives in Szechwan[8] and 5,691
● in Yunnan.[9] The number in Kweichow was reported to be smaller, but no exact figures are available.

Two other types of credit co-operative organizations function on a lower level -- credit departments attached to supply-marketing co-operatives, and credit mutual-aid teams. The former have neither separate membership nor independent capital and depend for their operating funds on deposits or special funds appropriated by the co-operatives concerned. The latter consists of a group of farmers, each of whom subscribes an equal amount of capital for loans to group members. Credit is granted on the approval of subscribers and is redeemed in installments.

Although the publicized objectives of the Communists' promotion of credit co-operatives are to aid the peasants' financial needs for production and daily living and to

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8. New China News Agency release, Chengtu, Oct. 11, 1955.
9. Ibid., Kunming, Oct. 27, 1955.

452 eliminate exploitation by usurers, disinterested
474 observers, have doubts as to how far such means can or will go in meeting these problems. The doubts arise principally because of the government's frequently expressed desire to utilize credit co-operatives to pool idle capital in rural areas as government operating funds, which appear to be almost non-existent.

H. Chinese People's Insurance Company

456 According to the Communists, the state-operated Chinese People's Insurance Company is considered as a component of the entire Communist financial system. It has the functions of organizing scattered funds for the industrialization of the state, and of establishing a centralized insurance fund to compensate losses from natural calamities or accidents sustained by individual policy holders or economic units. The Chinese People's Insurance Company was established on October 20, 1949, and simultaneously the elimination of privately owned and foreign-operated insurance firms was begun. Branch offices and subordinate offices of the Chinese People's Insurance Company were established throughout the country, and branches of the People's Bank and other bank were appointed agents of the state-operated insurance company.

438 have branches and sub-branches in the major
655 cities of Southwest China. Some companies, such as the China General Merchandise Company and the China Native Products Company, have branches in the rural areas of the region.[85] If the trade volume of the country as a whole in 1950 is given the index number 100, trade volume rose to 397 in 1952. It is reasonable to assume that the total trade volume of the Southwest Region made a proportionate gain in the same year.[86] The number of state owned and operated commercial firms in Communist China increased 45 per cent in a single year.[87] In 1954, wholesale and retail prices of staples in the eight major cities in the Southwest Region including Chungking and Kunming, increased only 4 per cent over those reported in the preceding year.[88]

B. Co-operative Companies

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474 Supply and marketing co-operatives

85. Yuan-li Wu, An Economic Survey of Communist China, New York, Bookman Associates, 1956, p. 380.

86. People's China, Peking, Jan. 16, 1954, p. 5.

87. Current Background, Hong Kong. U.S. Consulate General, Sept. 29, 1955, No. 360, p. 8.

88. Ibid.

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438 supply farm implements, fertilizer, and a
474 great number of other commodities for both production and consumption purposes to their members. The state trading companies usually draw up contracts in advance to supply products at fixed low prices to co-operatives. The exact number of supply and marketing co-operatives in Southwest China is unknown, but reports indicate that the number has increased rapidly since 1953. By the third quarter of 1955, there were co-operatives in cities in Southwest China and almost every hsiang (group of villages) had at least one co-operative.[89] Co-operatives accounted for one-quarter of the total national retail trade in 1953 -- 18 per cent of the total retail trade in the cities and 30 per cent of that in rural areas. About 75 per cent of all the purchases by co-operatives were made on behalf of the state.[90]

C. State-Capitalist Companies

475 The principal "State-Capitalist" corporations serve as distributors of the

89. Far Eastern Economic Review, Hong Kong, May 12, 1955, p. 597.
90. Ibid.